

Milwaukee County Employees' Retirement System (ERS)

Investment Committee Meeting

MINUTES

Members: Sarah Peck Dean Roepke
 Linda Bedford Jeffrey Mawicke
 John Maier

1. Call to Order:

Chairman Sarah Peck called the meeting to order at 2:30 pm, on 1-5-09, in Room 203-P, of the Milwaukee County Courthouse, 901 N. 9th St., Milwaukee, WI. 53233.

2. Roll Call:

<u>Members Present:</u>	<u>Others Present</u>
Sarah Peck	Gerry Schroeder (ERS Manager)
Dean Roepke	Mark Grady (Corporation Counsel)
John Maier	David Arena (Benefits Director)
Linda Bedford	Brett Christenson (Marquette - Managing Director)
Jeffrey Mawicke	Ray Caprio (Marquette-Assistant Vice President)

Housekeeping Discussion:

The Chairperson would like a fee study done by Marquette. This would include actual fees paid over the last 10 years as well as relative to a passive benchmark strategy. Marquette also indicated that they could look at fees relative to what other managers charge. Marquette recommended that the fee study done in conjunction with the asset allocation study that will be undertaken. If the fund needs to be rebalanced, that will also be done in conjunction with the recommendations from the asset allocation study so as to save on any transactions costs that will be incurred. Past data on manager fees and performance will be provided by Mercer. The Request for Information (RFI) was provided to Mercer, by Marquette, on 1-5-09.

Marquette will also be contacting all of the fund's existing managers to collect information both about the managers as well as their performance for the fund to date.

Introductions were done, to familiarize Marquette with the Investment Committee members and ERS support staff. Contact information was exchanged.

3. Topic: Marquette-Current State of Financial Markets

A handout was provided by Marquette, pertaining to the U.S. Economic Environment. The document also previewed the format that would be used by Marquette for presenting at Board meetings.

It appears we are currently in a recession, based on 2 of the last 4 quarters with negative GDP growth. Unemployment rose to 6.7% in November and 2009 could show a double-digit figure.

Discussion took place around the need for ERS to balance fixed income with real assets, like infrastructure and real estate. It was noted that when interest rates go up, Bonds go down and vice-versa.

4. Topic: Marquette: Securities Lending & Analysis

BNY Mellon has invested in the ASL ERISA commingled pool since 2003. IRC is a more conservative approach with less risk. IRC is at 30 basis points per year and ASL is at 40. ERS shows a Sigma Loss of \$602, 987, with a projection that this may translate into a real loss, with little chance for recovery. As of 1/2/09 the fund has \$42 million in collateral value with a capital balance of \$40.7 million, meaning on an individual security level more losses could occur. No capital support agreement has been put in place. The program has not been capped or been initiated in a staged withdrawal. The funds only reactionary option would be to cease the lending program and move the assets in-kind to a separate account where they would be separately managed in accordance with market liquidity.

5. Topic: Discussion on Rebalancing

It is Marquette's position that active re-balance should continue. However, this should be coordinated with the upcoming asset allocation study. They recommend tactically moving funds to the lower end of the target ranges, incrementally in both domestic and international equities. Rebalancing is the key to reversing volatility. Marquette will do a full asset allocation review.


A bear market is defined as a 20% price decline from a market peak. As of 10-31-08, the S&P 500 index was well entrenched in a bear market (from a 37.6% peak on 10-31-07)

6. Topic: Marquette Education: Fund to Funds

A Fund to Funds investment is usually in the form of a Limited Partnership. They are either open-end or closed-end structures. The client gives discretionary authority to the General Partner to invest in underlying Funds. Fund to Funds investment can create instant diversity. It allows for loose guidelines and can make money more liquid, because of regular distribution. The ERS Fixed Income range is 34-55%. ERS is currently at a 42% level.

The Pros of Fund to Funds investing is professional oversight, excess due diligence and diversification. The Cons are represented by additional layer of Fees.

7. Adjournment: **The Investment Committee adjourned at 4:10 pm.**

A handwritten signature in black ink, appearing to read 'G. Schroeder', written over a horizontal line.

Gerald J. Schroeder
ERS Manager